BRITISH COLUMBIA

BC STATS

Service BC, Ministry of Management Services

Infoline

Contact: bcstats.infoline@gems6.gov.bc.ca *Issue: 05-03* *January 21, 2005*

- **Inflation rate edges down to 2.0% in 2004; energy costs jump 7.2% during the year**
- **Manufacturing shipments up 1.2% in November despite downturn in wood industry**
- **Investment in non-residential construction slows (-3.2%) in the fourth quarter**

Prices

- **British Columbia's all-items Consumer Price Index (CPI) increased 2.0% in 2004, marginally less than in 2003, when the inflation rate was 2.1%.** Energy prices were still a major inflationary factor during 2004. The cost of energy jumped 7.2% last year, its biggest advance since 2000, when energy prices soared (+18.5%). Prices for other goods and services advanced a more modest 1.6%.

  Food prices rose at an average rate of 1.3% in 2004, largely due to increases in the cost of meat (+5.0%), dairy (+1.0%) and coffee & tea (+1.2%) products. However, consumers paid less for fish & other seafood (-2.2%), fresh vegetables (-2.7%), and non-alcoholic beverages (-2.0%).

  The cost of shelter jumped 2.1%, partly due to higher insurance premiums (+15.5%) and fuel prices (+12.6%), but also because water (+5.9%), electricity (+5.0%) and property taxes (+4.3%) took a bigger bite out of homeowner budgets in 2004.

  Tuition fees rose 21.1% in 2004, the second consecutive year of double-digit increases. This helped push the overall cost of recreation, education and reading materials up 2.6%.

  Consumers paid 2.8% more for transportation, with prices for both public (+1.6%) and private (+3.0%) transportation rising. Gas (+10.6%) costs played a major role in the increase for private transportation, and also affected fare levels set by operators of airlines, bus and other public transit services.

  Prices for clothing & footwear were virtually unchanged (+0.5%), but health & personal care goods and services cost consumers 1.8% more than in 2003. *Data Source: Statistics Canada*

- **BC's inflation rate was slightly above the national average (+1.9%) in 2004.** Saskatchewan (+2.2%) and Prince Edward Island (+2.1%) were the only regions where the all-items CPI increased more than in BC during 2004. In the rest of the country, inflation rates ranged from +0.6% in Northwest Territories to +2.0% in Manitoba. Vancouver's inflation rate was +2.0%. In Victoria, the overall price level increased 2.3%. *Data Source: Statistics Canada*

- **In *December*, consumer prices rose 2.2% (relative to the same month of 2003).** The province's year-over-year inflation rate was marginally higher than the national average (+2.1%), but still lower than in most parts of the country. Canada's inflation rate was moderated by a lower than average increase (+1.9%) in Ontario's CPI, which is heavily weighted in the overall index because Ontario represents such a big share of the national economy. Alberta's relatively low inflation rate (+1.8%) also helped keep the lid on the national inflation rate.
  Data Source: Statistics Canada

The Economy

- **Shipments by BC manufacturers rose 1.2% (seasonally adjusted) in November.** There were significant increases in shipments by producers of computer and electronic products (+10.5%). Manufacturers of primary metals (+5.9%) and non-metallic minerals (+5.2%) also boosted their shipments. Wood manufacturers—the largest segment of the industry—saw shipments decline (-1.0%) for the third consecutive month in November. Also restraining the manufacturing sector were the plastics & rubber (-2.5%), transportation equipment (-2.3%) and furniture (-1.7%) producers. Overall, non-durable shipments (+1.6%) have increased more than durable shipments (+1.0%) in November.

  Nationally, manufacturing shipments edged up slightly (+0.2%) in November. New Brunswick (+12.6%) saw the strongest growth, while New-

Report China a potential market for tourism industry

Did you know...
Canada produces more garbage per capita than the United States and Mexico.
The average Canadian throws away 1.8 kilograms of waste every day.

foundland (-4.9%), Quebec (-1.1%) and Ontario (-0.6%) posted the largest declines.

The Canadian dollar made strong gains in November, touching the US 85 cent mark by the end of the month, its highest level since 1992. The sustained strength of the dollar is making manufactured goods which are priced in Canadian dollars more expensive abroad. At the same time, manufacturers of products typically sold in US-denominated contracts (including many resource-based commodities), are receiving less for their products. *Data Source: Statistics Canada*

- **Investment in non-residential building construction in British Columbia fell 3.2% (*seasonally adjusted*) in the fourth quarter, marking the first decrease in 2004.** Spending on both industrial (-9.5%) and commercial (-3.6%) buildings plunged, while the institutional and government sector posted a 1.3% gain. Non-residential building construction activity in Vancouver (+3.2%) continued to increase. However, Victoria saw its level of investment decrease 26.5% in the fourth quarter.

  The fourth-quarter expenditures in construction gave mixed signals across regions. Canadian spending edged up 0.1%, with regional changes ranging from +37.9% in Yukon to -14.7% in Saskatchewan. *Data Source: Statistics Canada*

- **Wholesale sales in the province slumped in November, dropping 2.4% (*seasonally adjusted*) from the October level.** The decrease may be related to lower sales of computers & other electronic equipment and to lumber and millwork, which account for about 20% of wholesale sales in this province. Nationally, wholesale sales inched up 0.5%, largely due to stronger sales of personal and household goods and farm products. Sales in BC fell more than in most other regions. Only Northwest Territories (-5.3%), Nova Scotia (-0.6%) and Newfoundland (-0.3%) wholesalers saw declines, while sales were up in the rest of the country.
  Data Source: Statistics Canada

Tourism

- **The number of visitors entering Canada via BC border crossings was down *in November* (-1.5%, *seasonally adjusted*) for a second consecutive month.** The decline was due to a slump in visits from overseas (-8.0%). The number of U.S. visitors inched up 0.1%.

  Canadian travel abroad rebounded (+3.9%) after dipping in October (-0.5%). Canadians made more trips to the US (+3.6%) and other destinations (+2.8%). *Data Source: Statistics Canada & BC Stats*

Education

- **The number of Canadian university students receiving bachelor's degrees increased (+0.3%) to a record 129,000 in 2001.** At the same time, 24,900 students obtained a master's degree (up 2.6% from 2000), and 3,700 (+3.1%) were awarded doctorates.

  While the number of women graduating from universities is increasing, fewer men are pursuing a university education. Between 1996 and 2001, the number of women who received a university degree, diploma or certificate increased 2.0%, to 105,100. Over the same period, the number of male graduates fell 2.9%, to 72,900. *Data Source: Statistics Canada*

The Nation

- **Canada's composite leading indicator advanced 0.2% (*seasonally adjusted*) in December.** Manufacturing, services, and household demand contributed to the growth.
  Data Source: Statistics Canada

- **Purchases of Canadian securities increased considerably in November as investment in Canadian bonds rose to its highest level since March 2003.** Foreign investors bought $7.2 billion in Canadian securities, including $6.3 billion worth of bonds, and $1.2 billion of stocks. However, net spending on money market paper declined by $304 million. At the same time, Canadian investors substantially increased their holdings of foreign securities (by $4.2 billion) in November. *Data Source: Statistics Canada*

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

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Originally published in *Tourism Sector Monitor*, Issue 04-12. Annual Subscription $60 +GST

China a potential market for BC's tourism industry

China's travel and tourism industry has been developing rapidly since 1978, when Deng Xiaoping first set the country on a path of economic reforms and policy changes. In the last five years, increasingly favourable and flexible governmental tourism policies have opened up the Chinese tourism industry to the world and enabled more Chinese nationals to step out of their country.

Due to higher living standards and relaxation of travel constraints, more and more Chinese mainlanders are travelling abroad. According to the World Tourism Organization, (WTO) by 2020 China will be the world's fourth-biggest source of outbound tourists after Germany, Japan and the US, and also the biggest destination for international tourists.

The Chinese state media reported 16.6 million outbound tourists in 2002, exceeding Japan for the first time as Asia's largest source of outbound travellers. While it took the Japanese four decades to reach close to 18 million outbound travellers (in 2000), Chinese international travellers accomplished that in one decade. Despite the SARS outbreak, 20.2 million Chinese nationals travelled abroad in 2003, a 21% increase from the previous year.

Canada is not as well placed as other countries to capitalise on the fastest growing tourism market.

Chinese mainlanders' freedom of movement has lagged behind the age of easy international travel by a couple of decades, but they are catching up fast. The big boost has come in the past couple of years, as Chinese authorities have made it easier for individuals to obtain passports. Chinese citizens are also able to obtain tourist visas from countries granted Approved Destination Status (ADS) by Chinese authorities. A country must have ADS before Chinese tour groups are allowed to visit. Chinese travellers wishing to visit countries without ADS must go through a complicated process, which usually means applying for tourist visas that are rarely granted. By February 2004, China had signed ADS agreements with 28 countries and regions and on September 1 2004, 27 European countries were awarded ADS.

The US and Canada are potentially the largest Western markets for Chinese tourists, but the lack of approved status has posed a serious barrier, as have visa-issuing procedures at Embassies in Beijing.

What particularly worries the Canadian and US governments is the prospect of large numbers of Chinese tourists turning up in tour parties and then claiming refugee status. The worry is a legitimate one, however it seems that China and Europe, which are equally keen to avoid refugee issues, have added a clause in the agreement which allows for repatriation of any visitors that would outstay the term of their visit.

The approval of Canada as an official destination would have a significant impact on the Canadian tourism industry, not just because of the sheer number of potential new tourists, but also because of expected expenditure by Chinese tourists. According to European research groups, Chinese tourists spend less per trip than Americans and Japanese, but their spending is on par with that of Germans travelling in Europe. In 2000, Chinese tourists spent an average of $112 per night in Canada, more than visitors from Hong Kong ($102) and Taiwan ($108).

Another major obstacle standing between Canadians and Chinese tourist dollars is the lack of airline capacity. At present, the air service agreement between the two countries only allows 15 flights a week in each direction.

Newly affluent Chinese travellers would like to visit North America, but where they actually go is Hong Kong, because it is considered a shoppers heaven and also because by 1999, the region had been granted Approved Destination Status. According to Chinese statistical data, Hong Kong is the most popular destination among mainlanders travelling for business and pleasure, followed by Macao and Japan. Among the top 10 preferred countries and regions the US is placed seventh while Australia is tenth.

Since receiving ADS in 1999, China has become Australia's fifth biggest international tourist market, after Japan, the UK, the US and Singapore. In 2001, Australia received 172 thousand Chinese visitors, and by 2005 arrivals are expected to reach close to half a million tourists.

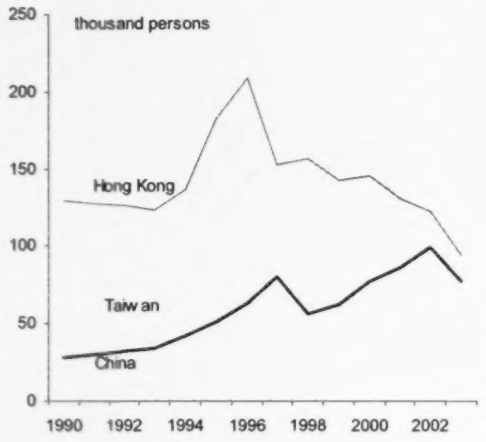
In 2003, Canada was not among the top 10 destinations visited by Chinese tourists, although according to the Asia Pacific Foundation of Canada, research has shown that Canada is a highly desirable tourist destination for Chinese travellers, in part due to the large and growing Chinese Canadian population in the country.

Chinese visitors a lucrative business for Canada

Although Canada has not yet been granted ADS by the Chinese government, it still received 86,407 entries from the Mainland in 2001 - half the Australian total. Surveys from 2002 found that 1.9 million newly affluent Chinese would have been interested in visiting Canada, which could have boosted the economy by approximately $1 billion each year. However, administrative barriers from both governments have kept the number of Chinese tourist arrivals low. Very few mainlanders are successful in obtaining tourist visas to Canada. Those who are, frequently cite family or business as their primary purpose for travel to Canada. Although it is difficult for Chinese visitors to pass administrative barriers, an increasing number are travelling to Canada. Entries from China increased 15% (to 99,292) between 2001 and 2002, a period when entries from other Asian sources were declining.

Due to ongoing security fears and the SARS outbreak in Canada and China, visitor arrivals from China fell 22% in 2003. In contrast to the expanding Chinese tourist market, travel from Hong Kong and Taiwan, both among Canada's top ten overseas tourist markets, has been contracting. However the lower numbers were most likely due to weak global economies, ongoing security fears, the war in Iraq and SARS.

An increasing number of Chinese visitors include Canada in their overseas travel plans



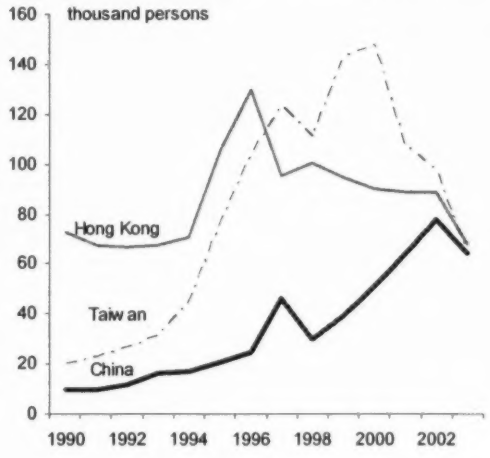
China is one of British Columbia's fastest growing international tourist sources.

Although Canada as a whole attracts a fair share of Chinese visitors, BC is above the national average in terms of its share of the Chinese market. Not surprisingly, a higher number of Chinese travellers visit BC because of the province's close proximity to Asia (it is the first port of entry for many Asian travellers) and also because it has a large Asian population.

Outstanding scenery, open spaces, safety and cleanliness could also lure more mainlanders to BC since most Chinese live in small apartments in very big and densely populated urban areas and therefore they are looking for something different during their trip. The province's mild climate is also an attractive factor.

Over the last three years, there has generally been an upward trend for Chinese tourists coming to BC, while other major Asian markets, such as Hong Kong and Taiwan have slowed down. BC received a dramatic increase of travellers from Hong Kong before 1997, due in part to uncertainties during the months leading up to the repatriation with China, but since then entries have been declining.

China is gearing up to be a significant tourist generator for BC



BC was a favoured choice for travellers from Taiwan until the late nineties when the number of visitors dipped possibly due to the economic downturn experienced by the middle and upper-income economies in Asia.

China has come a long way since 1949, when mostly government officials and a small number of people who had relatives abroad had the privilege of travelling overseas. With increasing personal income, more Chinese are seeking the opportunity to improve their life style and travel overseas. For Mainlanders the desire to travel can be traced back to the roots of Chinese culture, as one of their great poets Li Bai advises that a wise man should read ten thousand books and travel ten thousand miles.

Infoline

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also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Oct 1/04	% change on one year ago
BC	4,209.9	1.1
Canada	32,040.3	0.9
GDP and INCOME		
(BC - at market prices)	2003	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	145,550	5.2
GDP *($ 1997 millions)*	133,600	2.5
GDP *($ 1997 per Capita)*	32,175	1.6
Personal Disposable Income *($ 1997 per Capita)*	19,758	0.3
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Nov	3,632	1.2
Merchandise Exports - Nov	2,564	-4.2
Retail Sales - Oct	4,022	0.6
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Dec '04	% change
BC	123.5	2.0
Canada	125.4	1.8
LABOUR FORCE (thousands)		
(seasonally adjusted)	Dec '04	% change on prev. month
Labour Force - BC	2,246	0.4
Employed - BC	2,110	0.8
Unemployed - BC	136	-5.5
		Nov '04
Unemployment Rate - BC *(percent)*	6.1	6.4
Unemployment Rate - Canada *(percent)*	7.0	7.3
INTEREST RATES (percent)	Jan 19/05	Jan 21/04
Prime Business Rate	4.25	4.25
Conventional Mortgages - 1 year	4.80	4.50
- 5 year	6.05	6.15
US/CANADA EXCHANGE RATE	Jan 19/05	Jan 21/04
(avg. noon spot rate) Cdn $	1.2273	1.3009
US $ *(reciprocal of the closing rate)*	0.8150	0.7688
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Dec '04	one year ago
BC	695.57	2.3
Canada	687.28	2.8

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Check it out!

Aboriginal Profiles

Statistical Profiles by College Region With Emphasis on Labour Market and Post-Secondary Education Issues

These profiles provide comparisons of the socio-economic conditions of the on-reserve and off-reserve aboriginal populations as well as the non-aboriginal population by College Region. Data are from the 1996 and 2001 Census, Statistics Canada.

http://www.bcstats.gov.bc.ca/...

data/cen01/abor/ap_main.htm

Released this week by BC STATS

- Consumer Price Index, December 2004

Next week

- Earnings & Employment Trends, Dec. 2004
- Business Indicators, January 2005
- Current Statistics, January 2005

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